



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: June 13, 2017

DATE: Tuesday, May 30, 2017

TO: Board of County Commissioners

FROM: Board of Trustees, Washoe County, Nevada OPEB Trust

THROUGH: Cathy Hill, OPEB Trustee
328-2563, chill@washoecounty.us

SUBJECT: Acknowledge Receipt of the Washoe County, Nevada OPEB Trust Fund Audited Financial Statements for the fiscal year ended June 30, 2016 (All Commission Districts)

SUMMARY

The purpose of this agenda item is to present for acknowledgment the Washoe County, Nevada OPEB Trust Fund audited financial statements, per Article 7.1(b) of the Restated Trust Agreement for the Washoe County, Nevada OPEB Trust Fund and NRS 287.017(2)(f)(3), requiring that the Trust be audited each year by an independent certified public accountant, and that the results of such audit be reported to the Employer.

Washoe County Strategic Objective supported by this item: Stewardship of our Community.

PREVIOUS ACTION

Through negotiations with Washoe County employee associations, the Board of County Commissioners (BCC) agreed to prefund the retiree health benefit program annually at the actuarially-determined current cost beginning July 1, 1996.

On June 24, 1997, the BCC approved a resolution to create the Pre-Funded Retiree Health Benefits Fund to accumulate sufficient funds to help pay future retiree health benefits. The BCC approved budgeted transfers from the General Fund to the Pre-Funded Retiree Health Benefits Fund each fiscal year from 1997 through 2009.

On May 26, 2009, the BCC directed staff to take the necessary steps to create an irrevocable trust and to return to the BCC for final approval.

On May 11, 2010, the BCC created the Washoe County, Nevada Other Post-Employment Benefits (OPEB) Trust Fund, an irrevocable trust which replaced the Pre-Funded Retiree Health Benefits Fund. Funds totaling approximately \$73 million which had been accumulated in the Pre-Funded Retiree Health Benefits Fund were transferred to the Trust in fiscal year 2010.

Annually from fiscal year 2010 to present, the BCC has approved budgeted transfers from the General Fund to the Trust. Funds accumulated in the Trust may only be used to provide for post-employment healthcare benefits, as set forth in the Trust Agreement.

On January 12, 2016, the BCC established a formal policy directing the Comptroller's Department to submit quarterly request to the Trust for the full cost of the retiree health benefits program for the preceding quarter, effective July 1, 2015. Beginning in fiscal year 2011-12, the County had sought reimbursement from the Trust for only the cost of retiree insurance premiums.

BACKGROUND

NRS 287.017 requires that administration of the Trust is in accordance with generally accepted accounting principles and actuarial studies applicable to the future provision of benefits to Participants, and that the Trust be audited annually, the result of which shall be reported to the Employer. The audit must be conducted by a certified public accountant.

The Washoe County, Nevada OPEB Trust Fund has been audited by Eide Bailly, who has issued an opinion that the financial statements are presented fairly, in all material respects; the net position and the changes in its net position for the fiscal year ended June 30, 2016 are in conformity with accounting principles generally accepted in the United States of America.

FISCAL IMPACT

None.

RECOMMENDATION

It is recommended that the Board of County Commissioners acknowledge receipt of the Washoe County, Nevada OPEB Trust Fund audited financial statements for the fiscal year ended June 30, 2016.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be to "move to acknowledge receipt of the Washoe County, Nevada OPEB Trust Fund audited financial statements for the fiscal year ended June 30, 2016.

Washoe County, Nevada
OPEB Trust Fund
Financial Statements
For the Fiscal Year ended June 30, 2016

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**WASHOE COUNTY, NEVADA OPEB TRUST FUND
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Independent Auditor's Report

To the Honorable Board of Trustees
Washoe County, Nevada OPEB Trust Fund
Reno, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the Washoe County, Nevada OPEB Trust Fund (the "Trust"), which comprise the statements of plan net position as of June 30, 2016, and the related statements of changes in plan net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the Washoe County, Nevada OPEB Trust Fund as of June 30, 2016, and changes in its net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the schedule of funding progress and the schedule of employer and other entities' contributions on pages 15 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Reno, Nevada
April 7, 2017

WASHOE COUNTY, NEVADA OPEB TRUST FUND

Management's Discussion and Analysis For the Year Ended June 30, 2016

This section presents management's discussion and analysis of the Washoe County, Nevada OPEB Trust Fund's (the Trust) financial position and performance as of and for the fiscal year ended June 30, 2016. Additional information from prior years' financial statements is included herein for comparative purposes. This section is intended to supplement the Trust's financial statements and should be read in conjunction with the remainder of the Trust's financial statements.

Financial Highlights

The following financial highlights occurred during the fiscal year.

- Plan net position of the Trust increased by \$7,810,733 to a total of \$176,537,797.
- The Trust had additions during the year of \$25,463,157 and deductions for benefits and administrative expenses of \$17,652,424.
- The actuarial valuations for the participating employers' plans showed that the employers' annual required contributions (ARC) were \$21,661,092 (combined). This amount consists of the accrual for benefits earned by employees during the current year and amortization of the previously accumulated actuarial liability over periods ranging from 20 to 30 years, beginning in 2011. Employer contributions in 2016 were \$17,680,000 or 81.6% of the combined ARC.

More details on these highlights and other information are in the remainder of this discussion and analysis.

The Washoe County, Nevada OPEB Trust Fund

The Trust is intended to provide the means to fund the post-employment benefits provided by the benefit plans of the participating employers, who are Washoe County, the Truckee Meadows Fire Protection District, and the Sierra Fire Protection District.

The Trust itself has no obligation to provide funding for the benefits to the retirees of the participating employers, nor does it independently have the capacity to raise funds. Responsibility for determining the benefits and funding them rests with the participating employers and their respective governing bodies.

Assets of the Trust are held for the exclusive benefit of former employees of the participating employers. Plan liabilities do not include actuarial accrued liabilities for benefits, as those are obligations of the participating employers.

Overview of the Financial Statements and Accompanying Information

The basic financial statements consist of:

Statements of Plan Net Position. This statements presents information on the assets, liabilities, and net position of the Trust at a point in time (the end of the fiscal year). Over time the changes in net position may serve as a useful indicator of the status of funding other postemployment benefits that have been promised to the employees of the participating employers. Net position is classified as "net position restricted for other postemployment benefits".

Statements of Changes in Plan Net Position. This statement presents information on the additions and deductions to the Trust during the year being reported. Additions include employer contributions to the Trust, participant contributions, net investment income and any other additions that are available to support benefits and expenses. Deductions include the costs of benefits provided during the year and administrative expenses associated with the benefits and Trust administration.

Notes to the Financial Statements. The Notes to the Financial Statements are an integral part of the financial statements and provide additional detailed information and schedules. Information in the notes provides disclosures concerning the Trust's organization, contributions from participating employers, investments, and other information.

Required Supplementary Information. This section contains two supplementary schedules. The Schedule of Funding Progress shows information from the three most recent actuarial evaluations and permits a determination of the trend

WASHOE COUNTY, NEVADA OPEB TRUST FUND

Management's Discussion and Analysis
For the Year Ended June 30, 2016

of the overall funding status of the participating employers' obligations. The Schedule of Employer Contributions shows information on the extent to which the participating employers are providing funding relative to their actuarially determined "annual required contribution."

Financial Analysis and Discussion

Statements of Plan Net Position:

The following summary amounts are as of June 30:

	2016	2015
Total assets	\$ 180,381,512	\$ 171,581,577
Total liabilities	3,843,715	2,854,513
Net position restricted for other postemployment benefits	\$ 176,537,797	\$ 168,727,064

Assets at June 30, 2016 include cash and investments of \$175,957,575; most of this was held in the State of Nevada's Retirement Benefits Investment Fund (RBIF). In addition to interest and dividend income, the investments experienced a net decrease in fair value (market value) during the year. Contributions were receivable from participating employers, based on their budgetary commitments to fund their ARCs; such amounts were subsequently collected. There were small amounts receivable for interest income.

Liabilities consist principally of amounts owed to the participating employers for health insurance benefits provided to the participating employers' retirees and payable as of the reporting date. The June 30, 2015 amounts includes \$546,873 owed to another governmental OPEB trust as a result of the divestiture of Washoe County's water utility to the Truckee Meadows Water Authority effective December 31, 2014. All liabilities were subsequently settled. Plan liabilities do *not* include actuarial accrued liabilities for future benefits, as those are obligations of the participating employers.

Net position restricted for other postemployment benefits is the net difference between assets and liabilities, and is the amount of the assets available to pay future benefits for the participating employers' retirees and the administrative expenses of the Trust. Based on current year amounts, the net position would cover the actual benefits and expense payable for ten years.

WASHOE COUNTY, NEVADA OPEB TRUST FUND

**Management's Discussion and Analysis
For the Year Ended June 30, 2016**

Statements of Changes in Plan Net Position:

The Trust experienced the following changes in net position during the years ended June 30 (summary amounts):

	<u>2016</u>	<u>2015</u>
Additions		
Employer Contributions	\$ 17,680,000	\$ 21,062,892
Plan member contributions	3,614,100	3,171,155
Other income	1,309,068	797,372
Investment income		
Interest and dividends	4,023,115	3,991,348
Net appreciation (depreciation)	(1,116,984)	1,378,768
Less investment expenses	<u>(46,142)</u>	<u>(52,771)</u>
Total additions	<u>25,463,157</u>	<u>30,348,764</u>
Deductions		
Benefits	17,586,101	15,317,088
Administrative expenses	66,323	64,906
Employee separation payment	<u>-</u>	<u>546,873</u>
Total deductions	<u>17,652,424</u>	<u>15,928,867</u>
Change in net position	<u>\$ 7,810,733</u>	<u>\$ 14,419,897</u>

Washoe County budgets for and contributes to the Trust amounts based on the ARCs of the Washoe County Retiree Health Benefit Plan and the State of Nevada Public Employee Benefit Plan (which some former Washoe County employees participate in). TMFPD did not contribute to the Trust because its Retiree Group Medical Plan is currently fully funded. SFPD did not make any contributions to the Trust during the year.

Employer contributions decreased from fiscal year 2015 to fiscal year 2016 because of a reduction in the amounts funded by the employers. Amounts funded are at the discretion of the individual participating employers.

Plan member (retiree) contributions increased as a result of a 4.6% increase in Washoe County Retiree Health Benefit Plan (WCRHBP) participants, to an average of 1,477 monthly participants in fiscal year 2016. Premiums rates also increased.

Benefits include medical claims (including prescription drug benefits), dental claims, vision claims, medical and drug insurance premiums, life insurance premiums, and insurance premiums for supplemental coverage to Medicare. Administrative expenses include actuarial valuations and certain other administrative costs.

The total paid for benefits is driven largely by participants of the WCRHBP. Benefits paid increased because of the 4.6% participant increase and a 10.2% increase in the average cost per retiree. Costs increased principally due to medical inflation and higher claims costs.

A significant factor for consideration and perhaps the major issue from GASB Statement Nos. 43 and 45 is the participating employers' annual contribution to the Trust compared to their actuarially determined annual required contributions. The ARC has two components. One component is the estimated amount of benefits and administrative expenses accrued each year based on employee services that year. The second component is the amortization of the "unfunded actuarial accrued liability" (UAAL). This is the present value of the actuarial amount of

WASHOE COUNTY, NEVADA OPEB TRUST FUND

Management's Discussion and Analysis For the Year Ended June 30, 2016

OPEB benefits earned in previous years by employees at the valuation date. This UAAL is allocated to the ARC over periods ranging from 20 to 30 years (beginning in FY 2011), depending on the participating employer's plan, but actuarially adjusted for assumptions about increases in health care costs, the earnings rate on investments, the average age at which employees will retire, mortality rates, etc. The participating employers must report in their entity-wide and proprietary fund financial statements (but not governmental fund financial statements) any over or under funding of the ARC during the year as an asset (if over funded) or liability (if under funded). From the July 1, 2015 actuarial roll-forward valuation for the WCRHBP, the ARC was \$20,946,000; the County's direct employer contributions in FY16 were \$17,680,000 or 84.4% of the ARC.

From the June 30, 2016 actuarial valuation for the Washoe County PEBP Plan, the ARC was \$43,000; the County's employer contributions in FY16 were \$67,182, or 156.2% of the ARC.

Investments

The Trust has invested nearly all of its assets in the State of Nevada's Retirement Benefits Investment Fund (RBIF), as authorized by Nevada Revised Statutes. The State of Nevada Public Employees Retirement System is the investment manager of the RBIF. Investment performance during FY 2016 was 2.0%.

Requests for Information

This financial report is designed to provide an overview of the Washoe County, Nevada OPEB Trust. Questions concerning any of the information provided or requests for additional information should be addressed to: Comptroller, Washoe County, 1001 E. Ninth Street, Reno, NV 89512.

WASHOE COUNTY, NEVADA OPEB TRUST FUND
STATEMENTS OF PLAN NET POSITION
AS OF JUNE 30, 2016

	Washoe Co. Retiree Health Benefit Plan	State of Nevada Public Employee Benefit Plan	TMFPD Retiree Group Medical Plan	SFPD Retiree Group Medical Plan	Total
Assets					
Cash and investments	\$ 168,153,787	\$ 2,687,081	\$ 3,864,985	\$ 1,251,722	\$ 175,957,575
Contributions receivable	4,403,205	16,795	-	-	4,420,000
Interest receivable	3,538	318	20	61	3,937
Total Assets	172,560,530	2,704,194	3,865,005	1,251,783	180,381,512
Liabilities					
Accounts payable - benefit reimbursements to employers	3,631,563	64,402	107,200	33,590	3,836,755
Accounts payable - others	1,980	1,660	1,660	1,660	6,960
Total Liabilities	3,633,543	66,062	108,860	35,250	3,843,715
Net Position Restricted for					
Other Postemployment Benefits	\$ 168,926,987	\$ 2,638,132	\$ 3,756,145	\$ 1,216,533	\$ 176,537,797

The notes to the financial statements are an integral part of this statement.

**WASHOE COUNTY, NEVADA OPEB TRUST FUND
STATEMENTS OF CHANGES IN PLAN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Washoe Co. Retiree Health Benefit Plan	State of Nevada Public Employee Benefit Plan	TMFPD Retiree Group Medical Plan	SFPD Retiree Group Medical Plan	Total
Additions					
Contributions:					
Employer prefunding	\$ 17,612,818	\$ 67,182	\$ -	\$ -	\$ 17,680,000
Plan members	3,569,353	-	4,439	40,308	3,614,100
Other	1,309,068	-	-	-	1,309,068
Total Contributions	<u>22,491,239</u>	<u>67,182</u>	<u>4,439</u>	<u>40,308</u>	<u>22,603,168</u>
Investment Income:					
Interest and dividends	3,840,017	63,548	90,502	29,048	4,023,115
Net appreciation (depreciation) in fair value of investments	<u>(1,037,669)</u>	<u>(22,576)</u>	<u>(39,918)</u>	<u>(16,821)</u>	<u>(1,116,984)</u>
Total Investment Income	2,802,348	40,972	50,584	12,227	2,906,131
Less investment expense	<u>43,993</u>	<u>800</u>	<u>1,016</u>	<u>333</u>	<u>46,142</u>
Net Investment Income	<u>2,758,355</u>	<u>40,172</u>	<u>49,568</u>	<u>11,894</u>	<u>2,859,989</u>
Total Additions	<u>25,249,594</u>	<u>107,354</u>	<u>54,007</u>	<u>52,202</u>	<u>25,463,157</u>
Deductions					
Benefits	17,070,050	260,737	200,017	55,297	17,586,101
Administrative expense	<u>12,294</u>	<u>11,997</u>	<u>21,385</u>	<u>20,647</u>	<u>66,323</u>
Total Deductions	<u>17,082,344</u>	<u>272,734</u>	<u>221,402</u>	<u>75,944</u>	<u>17,652,424</u>
Change in Plan Net Position	8,167,250	(165,380)	(167,395)	(23,742)	7,810,733
Net Position Restricted for Other Postemployment Benefits					
Beginning of year	<u>160,759,737</u>	<u>2,803,512</u>	<u>3,923,540</u>	<u>1,240,275</u>	<u>168,727,064</u>
End of year	<u>\$ 168,926,987</u>	<u>\$ 2,638,132</u>	<u>\$ 3,756,145</u>	<u>\$ 1,216,533</u>	<u>\$ 176,537,797</u>

The notes to the financial statements are an integral part of this statement.

WASHOE COUNTY, NEVADA OPEB TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Washoe County, Nevada OPEB Trust Fund (Trust) was established by the Washoe County Board of Commissioners (BCC) on May 11, 2010. The Trust, a multiple-employer trust, was created to fund and account for the participating employers' costs of retiree healthcare benefits pursuant to Nevada Revised Statutes (NRS) 287.017 and is intended to qualify under Internal Revenue Code Section 115. It is governed by a three-member Board of Trustees appointed by the BCC. As of June 30, 2016, there are three participating employers in the Trust: Washoe County, Nevada (County), Truckee Meadows Fire Protection District (TMFPD), and Sierra Fire Protection District (SFPD).

The County provides other postemployment benefits (OPEB) for eligible employees through the Washoe County Retiree Health Benefit Plan (RHBP), a single-employer defined benefit OPEB plan, and participates in the State of Nevada's Public Employee Benefit Plan (PEBP), an agent multiple-employer defined benefit OPEB plan.

TMFPD and SFPD provide other postemployment benefits for eligible employees through the Truckee Meadows Fire Protection District Retiree Group Medical Plan (TMFPD RGMP) and the Sierra Fire Protection District Retiree Group Medical Plan (SFPD RGMP), both single-employer defined benefit OPEB plans.

Although assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits on behalf of the members of that plan, in accordance with the terms of the plan.

Basis of Accounting

The Trust's financial statements are prepared using the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative expenses are recorded in the period to which they relate.

Cash and Investments

The Trust is authorized to participate in the Washoe County Investment Pool (WCIP) for short-term cash flow purposes and the State of Nevada Retirement Benefits Investment Fund (RBIF) for long-term investments.

The BCC administers and is responsible for the WCIP in accordance with NRS 355.175. The investment pool is not registered with the SEC as an investment company. Public Financial Management, LLC determines the fair value of the investment pool monthly. Washoe County has not provided or obtained any legally binding guarantees during the year to support these values. Each participant's share is equal to their investment plus or minus their pro-rata share of monthly interest income, realized and unrealized gains and losses.

Investment earnings and investment fees for both the WCIP and the RBIF not directly allocable to a participating plan are allocated based on the monthly average cash and investment balances in each plan.

The Nevada Legislature established the RBIF with an effective date of July 17, 2007. The purpose of the RBIF is to invest contributions made by participating public entities, as defined in NRS 355.220, to enable such entities to support financing of OPEB. Monies received by the RBIF are held for investment purposes only and not in any fiduciary capacity. Each participating entity acts as fiduciary for its particular share of the RBIF. Bank of New York Mellon determines the fair value of the investment pool monthly. The RBIF allocates earnings (which include realized and unrealized gain or loss, interest, and other income) and expenses (both administrative and investment) to each participant according to their proportional share in the RBIF. This investment pool is not registered with the SEC as an investment company.

Administrative Expenses

Certain costs incurred by the County in administering the Trust are paid by the Trust. Indirect costs, except for investment fees, incurred for the benefit of all participating plans in the Trust are allocated equally to each plan. Investment fees not directly allocable to a participating benefit plan are allocated based on the monthly average cash and investment balances of each plan. Administrative expenses are financed through investment earnings.

WASHOE COUNTY, NEVADA OPEB TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(CONTINUED)

Implementation of GASB Statement No. 72

As of July 1, 2015, the Trust adopted GASB Statement No. 72, *Fair Value Measurement and Application*. The implementation of this standard requires governments to measure investments at fair value. The additional disclosures required by this standard are included in Note 4.

NOTE 2 – PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION

Membership of each plan consisted of the following as of the date of the latest actuarial valuation:

	RHBP July 1, 2014	PEBP June 30, 2016	TMFPD RGMP July 1, 2014	SFPD RGMP July 1, 2014	Total
Retirees and beneficiaries receiving benefits	1,381	286	45	7	1,719
Active plan members	2,257	-	74	36	2,367
Total	3,638	286	119	43	4,086

Washoe County Retiree Health Benefit Plan (RHBP)

Plan Description and Eligibility

In accordance with NRS 287.010, the BCC adopted the Washoe County Retiree Health Benefit Plan, a single-employer defined benefit OPEB plan, to provide OPEB to eligible employees upon retirement. Retirees are offered medical, prescription, vision, life, and dental insurance for themselves and their eligible dependents. Retirees can choose between the Self Funded Group Health Plan (SFGHP) and an HMO Plan. The authority to establish and amend benefit provisions is set by mutual agreement between the BCC and the various employee associations.

All employees hired before July 1, 2010 who retire from County employment and receive monthly payments under the Public Employees Retirement System of Nevada (PERS) are eligible to participate in the RHBP. In addition, employees hired before this date who have terminated employment prior to retirement may enroll in the RHBP upon commencing retirement if the County is that individual's last public employer.

All employees hired on or after July 1, 2010 who retire from County employment with at least five years of service and receive monthly payments under PERS will be eligible to participate in the RHBP, but must pay 100% of the premium for their coverage, including dependent coverage.

Contributions

For eligible retirees, the County pays a portion of the retiree's premium based on years of County service. Benefits are provided under two contribution "tiers": Tier 1 includes employees hired prior to various exclusion dates between 1997 and 1999, as stipulated in employee association contracts, and Tier 2 includes all employees hired after the Tier 1 exclusion dates but before July 1, 2010. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums depending on the Tier. Retirees pay 100% of the premium for dependent coverage.

For Tier 1 retirees, the retiree's contribution is determined as follows, except for the cost of dental benefits which is 100% paid for by the retiree, regardless of service.

Years of Service	Tier 1 Retiree Contribution
Less than 10	100%
10 but less than 15	50%
15 but less than 20	25%
20 or more	0%

For Tier 2 retirees, the retiree's contribution is the monthly premium amount less a County-paid premium subsidy. The subsidy for retirees age 64 and under is equal to the Non-State Retiree Subsidy Adjustment described in the State of Nevada's Public Employee Benefit Plan. The County's monthly subsidy for fiscal year 2016 depends on years of full-time service and ranges from a minimum of \$106 for five years to a maximum of \$585 for 20 or more years. The subsidy for retirees age 65 and over is

WASHOE COUNTY, NEVADA OPEB TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(CONTINUED)

based on the State of Nevada's HRA contribution for retirees enrolled in a Medicare Advantage Plan, and for fiscal year 2016 ranges from \$55 to \$220 per month, depending upon years of service.

Retirees whose employment commenced on or after July 1, 2010 and are eligible to participate in the RHBP will contribute 100% of the premium.

For the year ended June 30, 2016, plan members contributed \$3,569,353. The County is required by association agreements to contribute, at a minimum, the amount necessary to fund current retiree health plan premium costs plus the actuarially determined "normal cost". These agreements can only be amended through a negotiation process between the County and the bargaining units. The BCC approves the retiree health benefit contribution amount annually and the amount contributed is allocated between the two County plans on a proportional basis to prefund benefits. During the current fiscal year, the County contributed \$17,612,818.

State of Nevada's Public Employee Benefit Plan (PEBP)

Plan Description and Eligibility

NRS 287.023 allowed County retirees to join the State's PEBP, an agent multiple-employer defined benefit plan, at the County's expense until September 1, 2008, after which time the plan was closed to new entrants. Eligibility and subsidy requirements are governed by statutes of the State of Nevada and can only be amended through legislation. PEBP is administered by a nine member governing board and provides medical, dental, prescription, vision, life and accident insurance for retirees.

Contributions

Through collective bargaining agreements, the County is required to provide a subsidy for their retirees who have elected to join PEBP. Contribution requirements for plan members and the participating employers are assessed by the PEBP Board annually. The monthly subsidy for this plan is based on years of County service and in 2016 ranged from a minimum of \$106 for five years of service to a maximum of \$585 for 20 or more years of service. Retirees age 65 and over are required to enroll in a Medicare Advantage Plan at their own expense and receive monthly Health Reimbursement Account contributions of between \$55 and \$220 based on years of service. Subsidies for participating retirees are paid directly to the State when due. The County's obligation for subsidies is limited to payment of the statutorily required contribution. Retiree contributions for the non-subsidized portion of the premium are paid directly to PEBP and are not included in these financial statements. In addition to the annual subsidy payments, the BCC approves the retiree health benefit contribution amount annually and the amount contributed to the Trust is allocated between the two County plans on a proportional basis to prefund benefits. During the current fiscal year, the County contributed \$67,182.

TMFPD Retiree Group Medical Plan (TMFPD RGMP)

Plan Description and Eligibility

TMFPD's operations were combined with the City of Reno's fire operations from July 1, 2000 through June 30, 2012, pursuant to an interlocal agreement for fire services and consolidation. For employees who retired prior to July 1, 2000, TMFPD has no responsibility for the cost of benefits; the City of Reno has assumed this liability. Employees who retired between July 1, 2000 and June 30, 2012 are eligible for retiree health benefits provided through the City of Reno's self-insured plan. Employees hired between July 1, 2012 and July 1, 2014, as well as those who transferred to TMFPD from the City of Reno in 2012 in connection with the termination of the interlocal agreement with the City of Reno, are eligible for retiree health benefits through the District's own fully insured plan.

Effective in 2004, the employer portion of the benefit costs for retirees who retired between July 1, 2000 and June 30, 2012 are apportioned between TMFPD and the City of Reno based upon service, with service earned prior to July 1, 2000 considered to have been service with TMFPD. Benefits under the City's plan include medical, dental, prescription, vision and life insurance.

The TMFPD's fully insured plan is a single-employer defined benefit plan which includes health, dental, vision and prescription coverage. Eligibility requirements, benefit levels, employee contributions, and employer contributions may be amended by the mutual agreement of the Truckee Meadows Fire Protection District and the TMFPD Fire Fighters Association.

Contributions

Contributions for retirees eligible for coverage under the City of Reno's plan depend on the retirees' union membership. Local #731 members retiring prior to age 65 or eligibility for Medicare are required to pay for 40% of their benefits as well as 40% of the benefits of their spouse. Thereafter, retirees are required to pay for 50% of their coverage and 100% of their spouse's coverage. Local #39 members retiring prior to age 65 or eligibility for Medicare are required to pay for 25% of their coverage if they have at least 15 but less than 30 years of service and 0% if they have over 30 years of service. There is no coverage after age 65 and spouses are not covered. Eligible retirees who retire from TMFPD will be required to pay for 50% of the retirees' health insurance premium, and 100% of the cost of coverage for their spouses. There is currently one retiree in the TMFPD fully insured plan.

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TMFPD did not make any contributions to the Trust during the current fiscal year.

The retiree portion of the cost of coverage for former TMFPD employees who participate in the City of Reno's plan are paid directly to the City of Reno and are not included in these financial statements.

SFPD Retiree Group Medical Plan (SFPD RGMP)

Plan Description and Eligibility

The SFPD RGMP is a single-employer defined benefit plan. SFPD provides health insurance benefits to eligible retired employees who transferred from State service on July 1, 2006 or transferred from SFPD service to the Truckee Meadows Fire Protection District in fiscal year 2011-2012. As of April 1, 2012, all SFPD employees transferred to TMFPD under the terms of an Interlocal Agreement for Fire Services and Consolidation between the two districts. Health insurance benefits are through the TMFPD RGMP; however, the liability for the payment for these retiree health benefits is retained by each district. Health benefits include medical, vision, dental and prescription drug coverage. Eligibility requirements, benefit levels, employee contributions, and employer contributions may be amended by the mutual agreement of the SFPD and the TMFPD Fire Fighters Association. There are currently eight retirees participating in the plan.

Contributions

In accordance with Nevada Revised Statutes, the Board of Fire Commissioners for the SFPD entered into an agreement between SFPD and the Sierra Firefighters Association for retiree health insurance. This employee agreement was assumed by TMFPD as of April 1, 2012; however, the payment of the monthly benefits continues to be made from SFPD's portion of the Trust. Eligible employees who retire from TMFPD employment and receive monthly payments from the Public Employees Retirement System (PERS) of Nevada are allowed coverage in TMFPD RGMP. SFPD pays 50% of the cost of health premiums of retirees who transferred to SFPD as of July 1, 2006 or from SFPD to TMFPD in fiscal year 2011-2012 and retire directly from TMFPD with 10 or more years of service with the Nevada Division of Forestry, SFPD or TMFPD. Retirees are responsible for the remaining 50% of the health premiums and 100% of the cost of coverage for their eligible dependents. SFPD did not make any contributions to the Trust during the current fiscal year.

NOTE 3 – FUNDED STATUS AND FUNDING PROGRESS

The funded status of each plan as of the most recent actuarial valuation date is as follows:

Valuation date	RHBP 7/1/2014	PEBP 6/30/2016	TMFPD RGMP 7/1/2014	SFPD RGMP 7/1/2014
Actuarial Accrued Liability (AAL)	\$ 339,643,000	\$ 4,004,058	\$ 3,293,617	\$ 3,662,758
Actuarial Value of Plan Assets	<u>146,484,000</u>	<u>2,638,131</u>	<u>3,981,559</u>	<u>1,234,898</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 193,159,000</u>	<u>\$ 1,365,927</u>	<u>\$ (687,942)</u>	<u>\$ 2,427,860</u>
Funded Ratio (Actual Value of Plan Assets/AAL)	43.13%	65.89%	120.89%	33.71%
Covered Payroll (Active Plan Members) *	\$ 130,181,371	n/a	\$ 5,155,973	\$ 3,227,080
UAAL as a Percentage of Covered Payroll *	148.38%	n/a	-13.34%	75.23%

* The covered payroll for active plan members for the TMFPD RGMP reported above represents salaries and wages for the former Reno firefighters who transferred from the City of Reno in June 2012 and who were still employed by TMFPD at June 30, 2016, as well as current employees hired prior to July 1, 2014. The UAAL shown for TMFPD also includes the proportionate share of the liability, based on service earned prior to July 1, 2000 for the remaining 44 employees who transferred employment to the City of Reno and retired during the term of the Interlocal Agreement, as well as current eligible employees.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

WASHOE COUNTY, NEVADA OPEB TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
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The accompanying Schedule of Employer Contributions, also presented as RSI, presents trend information about the amounts contributed to each plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years for RHBP and PEBP, and over a period not to exceed 20 years for TMFPD RGMP and SFPD RGMP.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

	<u>RHBP</u>	<u>PEBP</u>	<u>TMFPD RGMP</u>	<u>SFPD RGMP</u>
Valuation date	7/1/2014	6/30/2016	7/1/2014	7/1/2014
Actuarial cost method	Projected unit credit	Entry Age Normal Cost	Projected unit credit	Projected unit credit
Amortization method	Level percentage of pay, closed	Level dollar amount, closed	Level dollar amount, closed	Level dollar amount, closed
Remaining amortization period	27 years	25 years	17 years	17 years
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Actuarial assumptions:				
Investment rate of return	7%	6.25%	7%	7%
Healthcare cost trend rate	6.25% initial 4.5% ultimate	8.25% initial 4.5% ultimate	7.75% initial 4.5% ultimate	7.75% initial 4.5% ultimate

NOTE 4 – CASH AND INVESTMENTS

The Trust is authorized to participate in the Washoe County Investment Pool for short-term cash flow purposes and the State of Nevada Retirement Benefits Investment Fund for long-term investments.

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant nonobservable inputs. The Trust does not have any investments which are measured using Level 1 or Level 3 inputs.

At year end, the Trust's cash and investments invested with the WCIP and the RBIF were as follows:

	<u>RHBP</u>	<u>PEBP</u>	<u>TMFPD RGMP</u>	<u>SFPD RGMP</u>	<u>Total</u>
Washoe County Investment Pool	\$ 377,721	\$ 103,644	\$ 9,444	\$ 27,784	\$ 518,593
Retiree Benefits Investment Fund	167,776,066	2,583,437	3,855,541	1,223,938	175,438,982
Total cash and investments	<u>\$ 168,153,787</u>	<u>\$ 2,687,081</u>	<u>\$ 3,864,985</u>	<u>\$ 1,251,722</u>	<u>\$ 175,957,575</u>

The WCIP is an unrated external investment pool. The Trust's investment in the WCIP is reported at fair value, which is determined by the fair value per share of the WCIP's underlying portfolio at June 30, 2016 (Level 2 inputs). All pooled investments are physically collateralized and held by Wells Fargo Bank. Investments in the WCIP are classified as cash and short-term investments in the Statements of Plan Net Position, because they can be withdrawn on demand in an amount equal to the original investment plus or minus monthly allocation of interest income, realized and unrealized gains and losses. Complete financial information on the WCIP as of June 30, 2016 can be obtained by contacting the Washoe County Comptroller's Office, P.O. Box 11130, Reno, Nevada, 89520.

WASHOE COUNTY, NEVADA OPEB TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(CONTINUED)

The RBIF is also an unrated external investment pool. The Trust's investment in the RBIF is reported at fair value, which is determined by the fair value per share of RBIF's underlying portfolio at June 30, 2016 (Level 2 inputs). Bank of New York Mellon determines the fair value of the investment pool monthly. Investments in the RBIF are classified as cash and short-term investments in the Statements of Plan Net Position, because they can be withdrawn on demand in an amount equal to the original investment plus or minus monthly allocation of interest income, realized and unrealized gains and losses. The RBIF allocates earnings (which include realized and unrealized gain or loss, interest, and other income) and expenses (both administrative and investment) to each participant according to their proportional share in the RBIF. Complete financial information on the RBIF as of June 30, 2016 can be obtained by contacting the Retirement Benefits Investment Board, 693 W. Nye Lane, Carson City, Nevada, 89703.

NOTE 5 – SUBSEQUENT EVENT: CONSOLIDATION OF FIRE DISTRICTS' PLANS

On March 8, 2016, the Board of Fire Commissioners for each of the Truckee Meadows Fire Protection District and the Sierra Fire Protection District approved the consolidation of the two districts, effective at midnight on June 30, 2016. As part of the consolidation, the OPEB plans for each District will be combined into a single plan, beginning as of July 1, 2016.

**WASHOE COUNTY, NEVADA OPEB TRUST FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Ratio (a / b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b - a) / c]
RHBP						
July 1, 2010	\$ 70,887,000	\$ 273,801,000	25.89%	\$ 202,914,000	\$ 150,313,509	134.99%
July 1, 2012	91,263,000	287,185,000	31.78%	195,922,000	146,848,513	133.42%
July 1, 2014	146,484,000	339,643,000	43.13%	193,159,000	130,181,371	148.38%
PEBP						
June 30, 2012	1,635,802	6,108,685	26.78%	4,472,883	n/a	n/a
June 30, 2014	2,607,203	3,412,494	76.40%	805,291	n/a	n/a
June 30, 2016	2,638,131	4,004,058	65.89%	1,365,927	n/a	n/a
TMFPD RGMP						
July 1, 2011	3,533,063	3,361,331	105.11%	(171,732)	793,352	-21.65%
July 1, 2013	3,573,083	4,079,936	87.58%	506,853	797,886	63.52%
July 1, 2014	3,981,559	3,293,617	120.89%	(687,942)	5,034,484	-13.66%
SFPD RGMP						
July 1, 2011	530,895	2,472,793	21.47%	1,941,898	3,087,570	62.89%
July 1, 2013	585,289	11,148,737	5.25%	10,563,448	3,221,020	327.95%
July 1, 2014	1,234,898	3,662,758	33.71%	2,427,860	3,303,999	73.48%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Valuation Date	Annual required contribution	Percentage contributed
RHBP			
2014	July 1, 2012	18,447,000	99.94%
2015	July 1, 2014	19,943,000	107.63%
2016	July 1, 2014	20,946,000	84.09%
PEBP			
2014	June 30, 2014	335,000	124.59%
2015	June 30, 2014	67,182	589.63%
2016	June 30, 2016	43,000	156.24%
TMFPD RGMP			
2014	July 1, 2013	195,357	0.00%
2015	July 1, 2014	189,132	0.00%
2016	July 1, 2014	234,924	0.00%
SFPD RGMP			
2014	July 1, 2013	1,543,597	35.30%
2015	July 1, 2014	387,813	0.00%
2016	July 1, 2014	437,168	0.00%

**WASHOE COUNTY, NEVADA OPEB TRUST FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – SCHEDULE OF FUNDING PROGRESS

The lower UAAL for the July 1, 2014 RHBP valuation versus the prior valuation was due to a combination of greater asset values, normal benefit accruals, a decrease in the discount period when future benefit payments are due (offset by retiree benefits payments since the prior valuation), and other changes such as demographic experience, changes in health costs different than expected in the prior valuation, updates to medical trend, and changes in assumed health plan enrollment elections for future retirees.

The higher UAAL for the June 30, 2016 PEBP valuation versus the prior valuation resulted from a decrease in the discount rate and various other factors, such as changes to the actual premiums different than expected, expectations of future premium increases, updates to the health cost trends, updates to assumed future mortality improvement, and changes in employee census.

The lower UAAL for the July 1, 2014 TMFPD and SFPD valuations versus the prior valuations reflect changes to both employers' current labor agreements, requiring retirees to enroll in Medicare at age 65.

TMFPD also made a plan change to include active employees hired after April 1, 2012 and before July 1, 2014. This plan change is reflected in the greater covered payroll amount for the plan, which also includes the salaries and wages for former City of Reno firefighters who transferred from the City of Reno to TMFPD in June 2012 and who were still employed by the District at June 30, 2016. The UAAL shown for TMFPD also includes the proportionate share of the liability, based on service earned prior to July 1, 2000 for the remaining 44 employees who transferred employment to the City of Reno and retired during the term of the Interlocal Agreement.